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**FISCAL IMPACT STATEMENT**

**LS 6535**

**BILL NUMBER:** SB 474

**NOTE PREPARED:** Jan 25, 2005

**BILL AMENDED:**

**SUBJECT:** State employee health insurance to universities.

**FIRST AUTHOR:** Sen. Simpson

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill requires a state educational institution that provides health coverage to its employees to provide the coverage through the state employee health plans. The bill repeals current provisions governing university employee health plans.

**Effective Date:** July 1, 2005.

**Explanation of State Expenditures:** The bill provides that the State Personnel Department (SPD) must allow a state educational institution to provide coverage of health care services for employees of the state educational institution under any state employee health plan available to state employees. The bill also provides that a state educational institution that provides health coverage for employees of the state educational institution must provide the health coverage under a state employee health plan. A state educational institution employee who receives coverage of health care services under a state plan must receive coverage equal to the coverage provided to state employees under the state plan and be allowed to choose the state plan. A state educational institution may elect to pay any part of the employees' premium. The bill would apply to Purdue University, Indiana University, Indiana State University, Ball State University, the University of Southern Indiana, Vincennes University, and Ivy Tech.

*Existing State Employee Health Plans.* The state contracts for the provision of health services with three prepaid health care delivery plans or health maintenance organizations (HMOs). The three providers are M-Plan, Arnett, and Advantage. Each offers two plans. Anthem administers two state self-insurance plans (Anthem I and Anthem II).

Providing coverage to state educational institutions would affect premium costs, but the specific impact is indeterminable. Whether the impact will be positive or negative will depend on whether the demographics and claims experience of the university population is found to be at more or less risk. Factors that would have an impact on the costs are outlined below.

Administrative Costs: With respect to the state's self-insurance plans, administrative costs typically make up 15%-20% of the overall benefit costs. Administrative costs are scaled based on the size of the group. There are economies of scale that apply when a large group has the same administration. The larger the group, the lower the per member per month charge. Having a large group with the same administration creates cost effectiveness to the administrator. To the extent that the administration can be standardized and efficient in the system, the cost can be reduced.

Eligibility Definition: Who is covered by the plan also affects the overall costs. Some universities cover retirees. This coverage impacts the overall costs since retirees are higher consumers of health care resources.

Networks: The network used can also impact costs. For example, using a Preferred Provider Organization (PPO) can impact costs. (PPOs are a group of doctors who sign a contract agreeing to a certain level of payment for certain services.) The impact would depend on networks currently in use by the universities and how these networks compare to state plans.

Benefits: The level that employee's share in the cost of claims through deductibles, copays, and coinsurance affects the overall cost per member paid by the plan. Additionally, how current university coverages compare with existing state plans is unknown at this time.

Separate Versus Combined Risk Pool: With respect to the state self-insurance plan administered by Anthem, the major health care cost difference between a separate versus combined risk pool would be administrative. All other savings (mandatory participation, common benefits and eligibility, administrative practices, etc.) could be duplicated whether the risk pools were separate or combined. If all colleges and universities were required to participate with the state employee group in a single risk pool with like administration, there could be some cost savings through lower administrative costs. If each college or university is allowed to have unique administration, any economies of scale would be lost and there would not be any significant savings. Any type of voluntary offering creates adverse selection within the pool.

With respect to HMOs, based on the assumption that providing coverage to state educational institutions would significantly increase the number of members enrolled in the plan and assuming that benefits, eligibility guidelines, enrollment processes, premium payments, and other operational functions are the same for all participants, administrative costs would be the same. If the state educational institutions are treated as a separate risk pool, it would have no effect on state employee coverage costs.

If the state educational institutions and the state employee group are treated as one risk pool, it is unclear whether the impact would be positive or negative. The impact would depend on the age, sex, health status, etc. of the educational institution employees and dependents who enroll for coverage relative to state employees and their dependents currently selecting health care coverage. However, the opportunity to realize positive versus negative results would be greater if all educational institutions were required to participate in this benefit pool and not given the opportunity to opt out and purchase health care benefits independently. If the proportion of new high-cost educational institutions electing to participate in a particular plan exceeds the proportion of new low-cost educational institutions electing to participate, then there would be a greater probability that the state

employee health coverage costs would increase.

**Chronic Disease Management Programs:** The bill provides that the SPD must include chronic disease management programs in a self-insurance program established to provide group health insurance and in a contract with a prepaid health care delivery plan. Currently, employees that are enrolled in the state's Anthem Traditional Plan 1 and Anthem Traditional Plan 2 have Anthem's disease management programs in place. Anthem currently includes programs for asthma, diabetes, cardiac, chronic kidney dysfunction, behavior health, maternity care, wellness and prevention, hypertension, and depression. M-Plan currently offers a variety of chronic disease management programs to all eligible members. In addition, M-Plan offers an on-line health behavior assessment program and personalized lifestyle management programs to assist them to quit smoking, control stress, eat better, and lose weight. Chronic disease management is currently covered under the Arnett plan. Specific programs include smoking cessation, morbid obesity, and asthma. Arnett also has a Personal Care Program included available to individuals with co-morbid conditions.

**Expiration of Existing State Educational Institution Employee Health Plans:** The bill provides that existing state educational institution employee health plans expire on July 1, 2006.

**Implementation Deadlines:** The SPD, with the Budget Agency, must implement the requirements of the bill not later than July 1, 2006. A state educational institution must comply with the above requirements on the first date that the state educational institution begins to provide, amends, or renews a program of coverage for health care services for employees or retired employees of the state educational institution after June 30, 2006.

**Background Information:** As of December 2004, universities enrolled 37,142 members as compared with the state plans which had 36,767 enrollees. Of the state university enrollees, 27,878 were enrolled in a non-HMO plan whereas 9,264 are enrolled in an HMO. Number of lives covered under the state plan equaled 85,176, whereas universities covered 71,900. Total annual insurance premiums for FY 2004 or most recent year are recorded below.

<b>Total Annual Insurance Premiums: For FY 2004 or Most Recent Year.</b>		
<b>Employer</b>	<b>Premiums (includes employer and employee costs)</b>	<b>Average Annual Premium Per Employee Enrolled</b>
State of Indiana	\$325 M	\$8,838
University Total	\$252 M	\$7,133
<b>Note: Coverage under the plans varied.</b> Figures have been rounded up. Source: State Budget Agency.		

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** SPD; State educational institutions.

**Local Agencies Affected:**

**Information Sources:** Cindy Brinker, USI; SPD; Anthem; Arnett; M-Plan; SBA.

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